

**MEMORIAL VOLUNTEER FIRE COMPANY  
OF CHAFFEE - SARDINIA, N.Y., INC.  
P.O. Box 203, Chaffee, NY 14030-0203  
(716) 496-5150 Fax (716) 496-2004**

**Michael Shaw  
Fire Chief**

**Danny R. Heineman  
President**

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May 9, 2012

Ms. Betsy Marsh, Town Clerk  
Town of Sardinia  
P.O. Box 219  
Sardinia, NY 14134

Re: Fire Company Audited Financial Statements

Dear Ms. Marsh:

Enclosed are two (2) copies of the Financial Statements of the Chaffee-Sardinia Fire Company for the period ended December 31, 2011 as audited by Tronconi Segarra & Associates.

Please let me know if you have any questions.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. R. Schiener', written over a horizontal line.

John Schiener, Treasurer

Attachments

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**

**Financial Statements – Income Tax Basis**

**December 31, 2011 and 2010**

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**  
*Financial Statements – Income Tax Basis*  
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**Report of Independent Auditors**

**Financial Statements**

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## Report of Independent Auditors

To the Board of Directors of  
Memorial Volunteer Fire Company of Chaffee-Sardinia, N.Y., Inc.  
Sardinia, New York

We have audited the accompanying statements of assets, liabilities, and net assets – income tax basis of Memorial Volunteer Fire Company of Chaffee-Sardinia, N.Y., Inc. (the “Organization”) as of December 31, 2011 and 2010 and the related statements of revenues, expenses, and changes in net assets – income tax basis, functional expenses – income tax basis, and of cash flows – income tax basis for the years then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of accounting that the Organization uses for federal income tax reporting purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 1.

*Tronconi Segarra & Associates LLP*

April 25, 2012

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**

*Statements of Assets, Liabilities, and Net Assets  
(Income Tax Basis)  
December 31, 2011 and 2010*

|                                    | <b>Assets</b>            |                          |
|------------------------------------|--------------------------|--------------------------|
|                                    | <u>2011</u>              | <u>2010</u>              |
| <i>Current Assets</i>              |                          |                          |
| Cash                               | \$ 82,410                | \$ 261,166               |
| <i>Investments</i>                 | 7,514                    | 7,219                    |
| <i>Deposit</i>                     | 198,945                  | 0                        |
| <i>Restricted Cash</i>             | 0                        | 131,297                  |
| <i>Property and Equipment, net</i> | <u>398,772</u>           | <u>227,467</u>           |
|                                    | <u><u>\$ 687,641</u></u> | <u><u>\$ 627,149</u></u> |

**Liabilities and Net Assets**

|  |                          |                          |
|--|--------------------------|--------------------------|
| <i>Current Liabilities</i>             |                          |                          |
| Current maturities under capital lease | \$ 0                     | \$ 29,711                |
| <i>Unrestricted Net Assets</i>         | <u>687,641</u>           | <u>597,438</u>           |
|  | <u><u>\$ 687,641</u></u> | <u><u>\$ 627,149</u></u> |

*See report of independent auditors and notes to financial statements.*

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**

*Statements of Revenues, Expenses, and Changes in Net Assets  
(Income Tax Basis)  
for the years ended December 31, 2011 and 2010*

|  | <u>2011</u>              | <u>2010</u>              |
|--|--------------------------|--------------------------|
| Revenues   |                          |                          |
| Municipal contract revenues  | \$ 184,814               | \$ 179,431               |
| Special event revenue (net of \$48,032 and \$49,964 of<br>direct benefits to donors for 2011 and 2010, respectively) | 32,188                   | 38,483                   |
| Grants   | 72,270                   | 1,000                    |
| Contributions  | 3,386                    | 4,897                    |
| Fund raising income  | 24,019                   | 24,705                   |
| Other income   | <u>10,653</u>            | <u>10,206</u>            |
| Total revenues   | 327,330                  | 258,722                  |
| Expenses   |                          |                          |
| Program services   | 192,126                  | 151,734                  |
| Management and general   | 33,469                   | 24,097                   |
| Fund raising   | <u>11,532</u>            | <u>10,649</u>            |
| Total expenses   | <u>237,127</u>           | <u>186,480</u>           |
| Increase in unrestricted net assets  | 90,203                   | 72,242                   |
| <i>Unrestricted Net Assets, beginning of year</i>  | <u>597,438</u>           | <u>525,196</u>           |
| <i>Unrestricted Net Assets, end of year</i>  | <u><u>\$ 687,641</u></u> | <u><u>\$ 597,438</u></u> |

*See report of independent auditors and notes to financial statements.*

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**

*Statement of Functional Expenses (Income Tax Basis)  
for the year ended December 31, 2011*

|                                |                     | Supporting Services       |                  |                   |
|--------------------------------|---------------------|---------------------------|------------------|-------------------|
|                                | Program<br>Services | Management<br>and General | Fund Raising     | Total             |
| Building                       | \$ 2,270            | \$ 2,270                  | \$ 0             | \$ 4,540          |
| Depreciation                   | 63,761              | 1,305                     | 0                | 65,066            |
| Dues and publications          | 0                   | 621                       | 0                | 621               |
| EMS & Fire Chief expenses      | 7,591               | 0                         | 0                | 7,591             |
| Gasoline                       | 9,400               | 0                         | 0                | 9,400             |
| Insurance                      | 22,263              | 3,929                     | 0                | 26,192            |
| Interest                       | 1,708               | 0                         | 0                | 1,708             |
| Maintenance                    | 0                   | 0                         | 1,819            | 1,819             |
| Membership activities          | 0                   | 11,420                    | 0                | 11,420            |
| Miscellaneous expenses         | 0                   | 1,837                     | 0                | 1,837             |
| Office expenses                | 0                   | 1,945                     | 3,745            | 5,690             |
| Professional                   | 8,055               | 8,055                     | 1,976            | 18,086            |
| Supplies                       | 6,112               | 0                         | 3,992            | 10,104            |
| Training and physical expenses | 5,747               | 0                         | 0                | 5,747             |
| Turnout gear                   | 9,183               | 0                         | 0                | 9,183             |
| Utilities                      | 11,827              | 2,087                     | 0                | 13,914            |
| Vehicle maintenance            | 44,209              | 0                         | 0                | 44,209            |
| Total functional expenses      | <u>\$ 192,126</u>   | <u>\$ 33,469</u>          | <u>\$ 11,532</u> | <u>\$ 237,127</u> |

*See report of independent auditors and notes to financial statements.*

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**

*Statement of Functional Expenses (Income Tax Basis)  
for the year ended December 31, 2010*

|                                |                     | Supporting Services       |                  |                   |
|--------------------------------|---------------------|---------------------------|------------------|-------------------|
|                                | Program<br>Services | Management<br>and General | Fund Raising     | Total             |
| Building                       | \$ 1,181            | \$ 1,181                  | \$ 0             | \$ 2,362          |
| Depreciation                   | 48,695              | 1,490                     | 0                | 50,185            |
| Dues and publications          | 0                   | 456                       | 0                | 456               |
| EMS & Fire Chief expenses      | 8,618               | 0                         | 0                | 8,618             |
| Gasoline                       | 9,452               | 0                         | 0                | 9,452             |
| Insurance                      | 19,756              | 3,486                     | 0                | 23,242            |
| Interest                       | 3,321               | 0                         | 0                | 3,321             |
| Maintenance                    | 0                   | 0                         | 1,300            | 1,300             |
| Membership activities          | 0                   | 8,889                     | 0                | 8,889             |
| Miscellaneous expenses         | 0                   | 726                       | 0                | 726               |
| Office expenses                | 0                   | 2,059                     | 3,920            | 5,979             |
| Professional                   | 3,921               | 3,921                     | 1,592            | 9,434             |
| Supplies                       | 3,661               | 0                         | 3,837            | 7,498             |
| Training and physical expenses | 7,333               | 0                         | 0                | 7,333             |
| Turnout gear                   | 17,642              | 0                         | 0                | 17,642            |
| Utilities                      | 10,702              | 1,889                     | 0                | 12,591            |
| Vehicle maintenance            | 17,452              | 0                         | 0                | 17,452            |
| Total functional expenses      | \$ <u>151,734</u>   | \$ <u>24,097</u>          | \$ <u>10,649</u> | \$ <u>186,480</u> |

*See report of independent auditors and notes to financial statements.*



**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**

*Statements of Cash Flows (Income Tax Basis)  
for years ended December 31, 2011 and 2010*

|  | <u>2011</u>             | <u>2010</u>              |
|--|-------------------------|--------------------------|
| <b><i>Cash Flows from Operating Activities</i></b>   |                         |                          |
| Change in net assets   | \$ 90,203               | \$ 72,242                |
| Adjustment to reconcile change in net assets to net cash<br>provided by operating activities |                         |                          |
| Depreciation expense   | 65,066                  | 50,185                   |
| Gain on sale of equipment  | (2,585)                 | 0                        |
| Unrealized (gain) loss on investments  | <u>194</u>              | <u>(333)</u>             |
| Net cash provided by operating activities  | 152,878                 | 122,094                  |
| <b><i>Cash Flows from Investing Activities</i></b>   |                         |                          |
| Purchases of equipment   | (236,371)               | (39,946)                 |
| Proceeds from sale of equipment  | 2,585                   | 0                        |
| Deposit for equipment purchase   | (198,945)               | 0                        |
| Purchases of investments   | (489)                   | (507)                    |
| Change in restricted cash  | <u>131,297</u>          | <u>(34,006)</u>          |
| Net cash used in investing activities  | (301,923)               | (74,459)                 |
| <b><i>Cash Flows from Financing Activities</i></b>   |                         |                          |
| Principal payments on capital lease  | <u>(29,711)</u>         | <u>(28,097)</u>          |
| Net increase (decrease) in cash  | (178,756)               | 19,538                   |
| <b><i>Cash, beginning of year</i></b>  | <u>261,166</u>          | <u>241,628</u>           |
| <b><i>Cash, end of year</i></b>  | <u><u>\$ 82,410</u></u> | <u><u>\$ 261,166</u></u> |

*See report of independent auditors and notes to financial statements.*

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**  
*Notes to Financial Statements*

**1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – Memorial Volunteer Fire Company of Chaffee-Sardinia, N.Y., Inc. (the “Organization”), also known as Chaffee-Sardinia Volunteer Fire Company and Chaffee-Sardinia Fire Company, is a not-for-profit organization dedicated to providing fire prevention, education, fire suppression, medical services and other related emergency and non-emergency activities to the community and to encourage individuals within the community to participate in volunteer fire service. The Organization was incorporated in June 1949.

**Basis of Accounting** – The Organization maintains its accounts on the basis of accounting used for federal income tax reporting purposes, which principally follows the cash method. The principal differences between the income tax basis and accounting principles generally accepted in the United States of America are that certain revenue is recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Account classifications and accounting methods are based on the Organization’s interpretation of income tax law, regulations, and rulings currently in effect.

**Cash** – The Organization considers certificates of deposit as cash; as any penalties for early withdrawal would not have a material effect on the Organization’s financial statements. Certificates of deposit totaled \$0 and \$102,269 at December 31, 2011 and 2010, respectively.

**Investments** – Investments include a mutual fund and is recorded at fair value as determined by quoted market prices. The difference between the aggregate fair value of the securities at the beginning of the year and their aggregate fair values at the end of the year is an unrealized gain or loss and is recorded as other income in the statements of revenues, expenses, and changes in net assets – income tax basis. Interest and dividends are recognized when received. Realized gains and losses are determined on the basis of the specific securities sold.

The Organization applies the provisions of the standard for *Fair Value Measurements*. This standard defines fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The primary impact of this standard on the Organization is to classify its investments in the amount of \$7,514 and \$7,219 at December 31, 2011 and 2010, respectively, as a level 1 input as defined by the standard for *Fair Value Measurements*.

Level 1 inputs are investments with fair values supported by unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date.

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**  
*Notes to Financial Statements (continued)*

**1. Nature of Activities and Summary of Significant Accounting Policies  
(continued)**

***Restricted Cash*** – Certain funds provided by the Town of Sardinia are to be used for the purchase of emergency apparatus such as fire trucks, ambulances, or equipment of a similar nature and are therefore classified as restricted cash. See Note 6 for 2011 activity.

***Cost Allocation*** – The Organization's cost of providing its various programs and activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets – income tax basis, and the statements of functional expenses – income tax basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

***Property and Equipment, net*** – Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the assigned tax lives of the assets, which range from 6 to 40 years. The cost of maintenance and repairs are charged to operations as incurred.

***Income and Gains on Contributions and Gifts*** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Donations of long-lived assets without donor-imposed restrictions are reported as unrestricted support. It is the Organization's policy to record contributions or gifts when they are received.

In-kind contributions are gifts of goods or services received instead of cash. In-kind services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2011 and 2010, no donated services met the requirements for recognition in the financial statements. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with programs and fund-raising events. These donated services are not reported in the Organization's financial statements since they do not require specialized skills.

***Unrestricted or Temporarily Restricted Net Assets*** – Net assets are classified as unrestricted or temporarily restricted based upon the presence or absence of donor-imposed restrictions. Temporarily restricted net assets, created by donor-imposed restrictions, are released from those restrictions when they are utilized for their intended purpose.

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**  
*Notes to Financial Statements (continued)*

**1. Nature of Activities and Summary of Significant Accounting Policies  
(continued)**

***Income Taxes*** – The Organization is a not-for-profit Organization under Section 501(c)(3) of the Internal Revenue Code, and as such is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been reflected in the Organizations financial statements. In accordance with Federal law, the Organization has filed Form 990 as of and for the years ended December 31, 2011 and 2010. The Organization has also filed an *Annual Report on Revenues and Expenditures of Foreign Fire Insurance Premiums* for 2011 and 2010 with the Office of the New York State Comptroller.

The Organization's tax returns are subject to examination by federal and state taxing authorities. Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, the amounts reported herein may be subject to change at a later date upon final determination by the respective taxing authorities.

***Accounting for Uncertainty in Income Taxes*** – The Organization's management evaluates its tax positions to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on technical merits of the tax position. Management has analyzed the Organization's tax positions and has concluded that, as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements.

***Use of Estimates*** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events*** – Management of the Organization has evaluated subsequent events, for recognition or disclosure, through April 25, 2012, the date the Organization's financial statements were available to be issued.

***Reclassification*** – In order to facilitate comparison of financial information, certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**  
*Notes to Financial Statements (continued)*

**2. Significant Concentrations**

The Organization has entered into a contract with the Town of Sardinia to provide fire protection and emergency services. The Organization recognized \$184,814 ( 56%) and \$179,431 (69%) of its total revenues, as contract revenues for the years ended December 31, 2011 and 2010, respectively. Any decrease in this funding could have a significant impact on the operations of the Organization.

**3. Investments**

Investments at December 31, 2011 and 2010 consist of a high-income bond mutual fund, classified as level 1 inputs in the fair value hierarchy, with a fair value of \$7,514 and \$7,219 at December 31, 2011 and 2010, respectively.

The following summarizes investment income included in other income in the statement of revenues, expenses, and changes in net assets -- income tax basis for the years ended December 31, 2011 and 2010:

|                              | <u>2011</u>     | <u>2010</u>     |
|------------------------------|-----------------|-----------------|
| Unrealized gains (losses)    | \$ (194)        | \$ 333          |
| Interest and dividend income | <u>1,853</u>    | <u>1,409</u>    |
|                              | <u>\$ 1,659</u> | <u>\$ 1,742</u> |

**4. Property and Equipment, net**

|                               | <u>2011</u>       | <u>2010</u>       |
|-------------------------------|-------------------|-------------------|
| Land                          | \$ 39,500         | \$ 39,500         |
| Buildings                     | 247,997           | 247,997           |
| Vehicles                      | 1,063,706         | 946,691           |
| Equipment                     | <u>159,212</u>    | <u>44,856</u>     |
|                               | 1,510,415         | 1,279,044         |
| Less accumulated depreciation | <u>1,111,643</u>  | <u>1,051,577</u>  |
|                               | <u>\$ 398,772</u> | <u>\$ 227,467</u> |

Depreciation expense for the years ended December 31, 2011 and 2010 was \$65,066 and \$50,185, respectively.

**Memorial Volunteer Fire Company  
of Chaffee-Sardinia, N.Y., Inc.**  
*Notes to Financial Statements (continued)*

**5. Capital Lease**

The Organization entered into a capital lease agreement in July 2006 for a Class A fire truck. The lease requires equal annual payments in April of each year of \$31,418 including interest at 5.74%. The final installment payment of \$31,419 was made in April 2011 resulting in the transfer of the rights of the Class A fire truck to the Organization.

The net book value of the Class A fire truck is \$40,269 at December 31, 2011, which is recorded at a cost of \$241,614 net of accumulated depreciation.

**6. Deposit**

The Organization entered into a contract with an equipment manufacturing company in November 2011 for the purchase of a freightliner responder pumper, to be delivered in April 2012. The Organization agreed to pay \$202,843 for the pumper, with optional terms to pay the full amount in advance of delivery and receive an interest discount of \$4,506. The Organization paid an amount of \$198,945 in December 2011 in order to receive the discount. The Organization also entered into a performance and payment bond equal to 100% of the total contract to ensure the manufacturing company performs the obligations within the contract.

**7. Related Party Transactions**

The Organization received and paid for certain services from a related party of the Organization in the amount of \$4,980 during the year ended December 31, 2011. These costs are included in supplies and vehicle maintenance expenses on the statement of functional expenses – income tax basis for the year ended December 31, 2011.